M.E.P.C. Canadian Properties Limited
Annual Report and Accounts 1972

Sketch of The "United Kingdom" Building, Vancouver and Proposed Addition in 1973.

M.E.P.C. CANADIAN PROPERTIES LIMITED

Board of Directors

W. G. TUCKER, Q.C.
Solicitor—Fraser and Beatty, Toronto, Ontario

R. A. GREINER, F.R.I.
President—M.E.P.C. Canadian Properties Limited, Toronto, Ontario

P. A. ANKER, F.R.I.C.S., F.R.I.
Managing Director—Metropolitan Estate and Property Corporation Limited, London, England

GORDON C. GRAY, F.C.A.
President—A. E. LePage Limited, Toronto, Ontario

SIR HENRY JOHNSON, K.B.E.
Chairman—Metropolitan Estate and Property Corporation Limited, London, England

W. C. MEARNS, B.A., P.ENG.
Director—Bank of British Columbia, Vancouver, B.C.

THE HON. ANGUS OGILVY
Director—The Guardian Royal Exchange Assurance Company Limited, London, England

A. ROSS POYNTZ, F.C.I.A.
Chairman—The Imperial Life Assurance Company of Canada, Toronto, Ontario

D. N. STOKER
Director—Nesbitt, Thomson and Company, Limited, Montreal, P.Q.

D. A. THOMPSON, Q.C.
Senior Partner—Thompson, Dewar, Sweatman, Winnipeg, Manitoba

Executive Officers

W. G. TUCKER, Q.C.
Chairman of the Board

R. A. GREINER, F.R.I.
President and General Manager

G. E. A. PACAUD, B.SC., LL.B.
Senior Vice-President and Secretary/Solicitor

R. H. D. KING, C.A., A.C.A.
Vice-President and Treasurer

M. H. MORGAN, F.R.I.C.S., F.R.I.
Vice-President, Administration

A. K. STEPHENS, F.R.I.
Vice-President, Ontario

R. W. HESLOP, F.R.I.
Vice-President, Eastern Region

Head Office

27 WELLESLEY STREET EAST, TORONTO, ONTARIO, M4Y 1G8

Auditors

CAMPBELL, SHARP, NASH & FIELD, CHARTERED ACCOUNTANTS

Stock Transfer Agent and Registrar

THE ROYAL TRUST COMPANY

Bond Trustees

THE ROYAL TRUST COMPANY   MONTREAL TRUST COMPANY

Common Shares Listed

THE TORONTO STOCK EXCHANGE   THE MONTREAL STOCK EXCHANGE

Preference Shares and Warrants (October 1976 series) Listed

THE TORONTO STOCK EXCHANGE

Bankers

BANK OF MONTREAL
CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF BRITISH COLUMBIA

M.E.P.C. Canadian Properties Limited is a subsidiary company of Metropolitan Estate and Property Corporation Limited, London, England.

REPORT OF THE PRESIDENT TO SHAREHOLDERS

FINANCIAL RESULTS

The financial results enclosed in this report show continued growth. You will note that the property portfolio of the Company increased substantially during the year with most of the acquisitions taking place during the last quarter of the financial year. It is expected that the full benefit from this investment program will begin to appear in the 1972-1973 financial year. On two occasions during the past year, your directors took advantage of market conditions to put the Company in funds for eventual investment in real estate. Although most of these funds have been committed to various acquisitions or developments, the cost of the borrowing, pending their investment in real estate, has to a certain extent affected the net profit for this year. The increase in net income was 2.1% but it is anticipated this will be substantially improved upon next year. On the other hand, the Company's net income from property operations went up by 7.2%, the increase in gross cash flow by 7.6% and our asset growth by 38.6%.

In the opinion of your directors these results show considerable strength and it was decided to increase the half yearly dividend. In September, 1972, this dividend was increased from 7¢ per share to 8¢ per share.

MARKET CONDITIONS AND FUTURE GROWTH

During the year large amounts of capital have been competing for investment opportunities in the Canadian real estate markets. This has tended to lower yields and increase real estate prices making it difficult to purchase existing investments at satisfactory returns. This trend has undoubtedly had a beneficial effect on the value of the company's existing portfolio. As a result of this investment atmosphere, your Company will increase its emphasis on expansion by development but will, of course, continue its efforts to purchase well-located existing properties in the industrial, office and retail areas when the opportunities arise. Our development program includes plans for major additions to existing medical and office buildings as well as for continued development of selected industrial sites. During the past six months industrial leasing has improved substantially and your Company capitalized on this improvement by constructing high quality industrial centres for Canadian business. During the year, we have obtained some satisfying rental increases in property purchased for reversions and we fully expect this trend to continue. In view of the large amounts of office space available in many major urban centres, your Company will avoid this type of property development on a large scale.

ANNUAL HIGHLIGHTS

In January your Company raised $10,000,000 through the sale of 8¾% p.a. sinking fund debentures for a term of 22 years. In July a further $10,000,000 for three years was raised to finance the Company's development program. As already stated, the benefit from the investment of these funds was not seen this year, but will appear in the next and subsequent years.

Some particularly interesting properties were acquired during the year. These include the "Curry Building" and the "Power Building" both in downtown Winnipeg, further additions to our already substantial holdings on 8th Avenue in Calgary and some shopping centres including a major regional shopping centre in the Montreal area. A picture of this shopping centre appears on the opposite page.

MANAGEMENT CHANGES

As your new President, I wish to acknowledge the very great contribution of Mr. P. A. Anker to the building of the Company. Mr. Anker, the founding member of your Canadian team, and its President for many years, is now the Managing Director of the parent company in London with responsibilities for the world wide operations of the Group. We express to him every good wish for continued success in England and look forward to his future support as a Director of your Company. Your Directors have also accepted the resignation of Mr. R. H. Sheppard as a Director of the Company. We are most grateful for his support and counsel over the years. At the annual meeting your approval will be requested with respect to an increase in the number of directors from ten to twelve. If such approval is given it is intended that Mr. G. E. A. Pacaud, our Senior Vice President and one other person be nominated as Directors.

ACKNOWLEDGEMENT

I would like to express my sincere thanks to the Company's staff for their continued support in maintaining your Company's exciting growth.

R. A. Greiner
President

November 6, 1972.

"Place Desormeaux" Shopping Centre—Longueuil, Quebec
Acquired by The M.E.P.C. Group in 1972.

Industrial Centre—Toronto
A Development of The M.E.P.C. Group in conjunction with G.A.V. Properties and Enterprises Limited, completed in 1972.

consolidated balance sheet as at September 30, 1972

ASSETS

		1972	1971
		(in thousands	of dollars)
Cash		**$ 404**	$ 122
Short-term investments		**5,585**	2,134
Rents and sundry receivables		**592**	407
Prepaid expenses		**791**	546
Properties at cost, less accumulated depreciation of $5,117; 1971—$4,417 (notes 3 and 4)	**$119,306**		84,777
Developments in progress at cost (note 3)	**2,585**		4,014
		121,891	88,791
Investment in and advance to unconsolidated joint venture			
Shares—at cost			25
Advance			1,000
		—	1,025
First mortgages, loans receivable and agreements for sale		**1,402**	1,286
Unamortized financing and other expenses		**1,395**	983
		$132,060	$95,294

On behalf of the Board

W. G. TUCKER, Director
R. A. GREINER, Director

AUDITORS' REPORT

We have examined the consolidated balance sheet of M.E.P.C. Canadian Properties Limited and its subsidiaries as at September 30, 1972 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES

	1972	1971
	(in thousands	of dollars)
Bank and other demand loans—partially secured	**$ 2,750**	$ 270
Accounts payable and accrued liabilities	**3,449**	1,873
Income taxes payable	**246**	—
Long-term debt (note 12)	**93,635**	63,503
Deferred income taxes (note 5)	**5,576**	4,240
	105,656	69,886

SHAREHOLDERS' EQUITY

Capital stock (notes 7 and 8)		
Preference shares	**2,232**	2,289
Common shares	**17,853**	17,677
Retained earnings	**6,319**	5,442
	26,404	25,408
	$132,060	$95,294

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
November 3, 1972

CAMPBELL, SHARP, NASH & FIELD, *Chartered Accountants.*

consolidated statement of earnings for the year ended September 30, 1972

		1972	1971
		(in thousands	of dollars)
RENTAL INCOME		**$13,972**	$10,660
Direct property expenses		**4,782**	3,409
NET RENTAL INCOME		**9,190**	7,251
EXPENSES			
Interest—Net (note 6)	**$ 4,915**		3,631
Administrative and general	**451**		322
		5,366	3,953
NET OPERATING INCOME		**3,824**	3,298
Depreciation (note 4)		**692**	558
NET EARNINGS before the following items		**3,132**	2,740
Provision for income taxes—current	**$ 220**		—
—deferred (note 5)	**1,243**		1,183
		1,463	1,183
		1,669	1,557
Gain on sale of property		**137**	211
NET EARNINGS		**$ 1,806**	$ 1,768
EARNINGS PER COMMON SHARE before gain on sale of property (note 10)		**29¢**	31¢
EARNINGS PER COMMON SHARE (note 10)		**31¢**	36¢
Average number of common shares outstanding		5,380,000 shs.	4,590,000 shs.

consolidated statement of retained earnings for the year ended September 30, 1972

	1972	1971
	(in thousands	of dollars)
BALANCE, beginning of year	**$ 5,442**	$ 4,404
Add: Net earnings	**1,806**	1,768
Gain on purchase for cancellation of preference shares (note 7)	**13**	23
	7,261	6,195
Less: Dividends paid—preference shares	**134**	140
—common shares	**808**	588
Expenses of rights issue—net of deferred income taxes	—	25
	942	753
BALANCE, end of year	**$ 6,319**	$ 5,442

consolidated statement of source and use of funds for the year ended September 30, 1972

	1972	1971
	(in thousands	of dollars)
OPERATIONS		
Net earnings	**$ 1,806**	$ 1,768
Depreciation (note 4)	**692**	558
Amortization of financing and other expenses	**209**	176
Deferred income taxes (note 5)	**1,243**	1,183
GROSS CASH FLOW	**3,950**	3,685
Annual payments on long-term debt	**1,834**	1,491
Funds available from operations	**2,116**	2,194
Dividends paid	**942**	728
Funds available from operations for re-investment	**1,174**	1,466
NEW FINANCING		
Additional long-term debt—net	**31,966**	18,464
Issue of capital stock	**176**	7,613
Investment in unconsolidated joint venture, 1971 consolidated in 1972 (note 2)	**1,025**	288
INCREASE in bank indebtedness and other net current obligations	**3,590**	—
DECREASE in short-term investments	—	2,867
	$37,931	$30,698
REPRESENTED BY:		
Investment in real estate	**$33,791**	$17,876
Increase in short-term investments	**3,452**	—
Decrease in bank indebtedness and other net current obligations	—	11,685
Expenses of rights issue	—	50
Redemption of preference shares	**44**	73
Increase in other assets—net	**644**	1,014
	$37,931	$30,698
GROSS CASH FLOW PER COMMON SHARE (note 10)	**71¢**	77¢
Average number of common shares outstanding	5,380,000 shs.	4,590,000 shs.

notes to consolidated financial statements for the year ended September 30, 1972

1. ACCOUNTING POLICIES

As a member of C.I.P.R.E.C. (The Canadian Institute of Public Real Estate Companies), M.E.P.C. Canadian Properties Limited and all its subsidiaries support the principles of uniform disclosure of financial information recommended by C.I.P.R.E.C.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include:

(a) The accounts of M.E.P.C. Canadian Properties Limited and all its subsidiaries.

(b) The 50% share of the assets, liabilities and earnings pertaining to the company's interest in an unincorporated joint venture, and

(c) The 50% share of the assets, liabilities and earnings in an incorporated joint venture. M.E.P.C. has temporarily guaranteed the other 50% share ($2,700,000) in a bank loan and mortgage draws related to a completed building owned by the 50% owned company. The aggregate net book value of that company's assets at September 30, 1972 are sufficient to satisfy such obligations.

3. PROPERTIES AND DEVELOPMENTS IN PROGRESS

Properties and developments in progress are carried in the balance sheet at cost and include interest during construction, property taxes, professional fees and the related portion of certain administrative expenses. During the 1972 and 1971 fiscal years, the following expenditures were capitalized as a part of the cost of properties under development:

	1972	1971
Interest	$ 432,250	$ 928,840
Property taxes	74,979	190,145
Other expenses—net of rental income	65,268	5,540
	$ 572,497	$1,124,525

Expenditures of $954,000 will be required to complete the current development program as at September 30, 1972. In addition, the company is committed to expenditures aggregating $2,050,000 for the acquisition or development of new properties.

4. DEPRECIATION

The Company's depreciation policy is based on a sinking fund method under which an amount increasing at the rate of 6% compounded annually is charged to income so as to fully depreciate the buildings based on a 40-year life. Depreciation expense on buildings amounts to $665,200 for 1972 and $538,413 for 1971.

5. INCOME TAXES

The Company claims maximum capital cost allowances for income tax purposes which exceed recorded depreciation and, in addition, claims in the year incurred, interest and other expenses capitalized in the accounts. In 1969, the Company adopted the policy of recording deferred income taxes in accordance with the recommendations issued by the Canadian Institute of Chartered Accountants; income taxes deferred for 1968 and subsequent years have been recorded in the accounts while amounts aggregating $2,057,000 applicable to the years prior to 1968 have not been recorded.

6. INTEREST

Interest expense includes the following:

	1972	1971
Interest on long-term debt (including amortization of bond discount and other financing expenses)	$ 5,666,625	$ 4,621,624
Interest on bank loans and other indebtedness	82,145	233,724
	5,748,770	4,855,348
Less: Interest applicable to properties under development during the year	432,250	928,840
	5,316,520	3,926,508
Less: Income from short-term investments	401,559	295,030
Interest expense—net	$ 4,914,961	$ 3,631,478

7. CAPITAL STOCK

Authorized	Issued		1972	1971
229,271	89,271	Preference shares with a par value of $25 each, issuable in series— 6%, cumulative, redeemable, preference shares, Series A....	$ 2,231,775	$ 2,289,275
7,500,000	5,394,751	Common shares without par value........................	17,853,166	17,677,475
			$20,084,941	$19,966,750

Preference Shares

2,300 Preference shares, Series A, were purchased for cancellation during the year and the authorized and issued share capital reduced accordingly.

The preference shares, Series A, are redeemable at the option of the company at $25.75 per share until June 1, 1975 and thereafter at reducing amounts.

Common Shares

40,826 Common shares without par value were issued during the year for $175,691 in cash. Of these shares, 16,826 were issued to holders of the share purchase warrants, and 24,000 were issued upon the exercise of stock options granted to executives of the company. 824,719 Common shares are reserved for issuance against the exercise of share purchase warrants as follows:

Number of Common Shares Reserved	Exercise Price per Share	Expiry Date
84,819	$3.50	June 30, 1976
40,000	$6.67	December 31, 1976
699,900	$6.00	October 31, 1976

71,000 Common shares are reserved for issuance under stock options granted to executives of the company as follows:

Number of Common Shares Reserved	Exercise Price per Share	Expiry Date
5,000	$4.50	July 31, 1974
42,000	$4.95	August 4, 1976
24,000	$4.95	September 9, 1976

8. DIVIDEND RESTRICTIONS

The Trust Deeds and Trust Indenture under which the First Mortgage Bonds and Sinking Fund Debentures were issued, contain certain restrictions on the declaration or payment of dividends on common shares so long as any of the said bonds or debentures are outstanding.

The conditions attached to the preference shares, Series A, contain certain restrictions on the declaration or payment of dividends on the common shares.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid during the year to directors and senior officers of the company amounted to $186,054 ($167,572 in 1971).

10. EARNINGS AND GROSS CASH FLOW PER COMMON SHARE

Earnings and gross cash flow per common share are based on the weighted monthly average number of shares outstanding during each year (5,380,000 in 1972 and 4,590,000 in 1971) and after deduction of dividends paid on the Preference shares as shown in the Consolidated Statement of Retained Earnings. Exercise of share purchase warrants and stock options outstanding would not dilute the earnings and gross cash flow per common share.

11. LAND LEASES

The aggregate minimum annual rental obligation under land leases is as follows:

1973 to 2010 — $135,194
2011 to 2026 — $112,231
2027 to 2058 — $ 64,231
2059 to 2063 — $55,350
2064 to 2069 — $44,550

notes to consolidated financial statements (continued)

12. LONG-TERM DEBT	1972	1971
First Mortgage Sinking Fund Bonds		
Series A, 6¾%, due August 1, 1982 (after deducting $99,000 ($20,000 in 1971) principal amount purchased and held for sinking fund purposes)—$125,000 repayable annually	$ 2,026,000	$2,230,000
1983 Series, due December 1, 1983		
5⅞%, U.S. $2,437,500 repayable in semi-annual instalments of U.S. $62,500	2,638,815	2,773,815
6⅜%, (after deducting $60,000 ($60,000 in 1971) principal amount purchased and held for sinking fund purposes)—repayable in semi-annual instalments of $12,500	427,500	452,500
1987 Series, due January 9, 1987		
6⅜%, U.S. $2,422,500 repayable in semi-annual instalments of U.S. $52,500	2,617,967	2,731,367
1988 Series, due August 1, 1988		
7-15/16%, U.S. $1,772,500 repayable in semi-annual instalments of U.S. $32,500	1,897,884	1,967,616
1991 Series, due February 1, 1991		
8½%, repayable in semi-annual instalments of $65,000	3,740,000	3,870,000
8%, U.S. $3,740,000 repayable in semi-annual instalments of U.S. $65,000	3,766,180	3,897,090
1991 Series, due September 1, 1991		
10½% repayable in semi-annual instalments of $31,000	1,463,000	1,525,000
Mortgages Payable	41,380,568	28,276,717

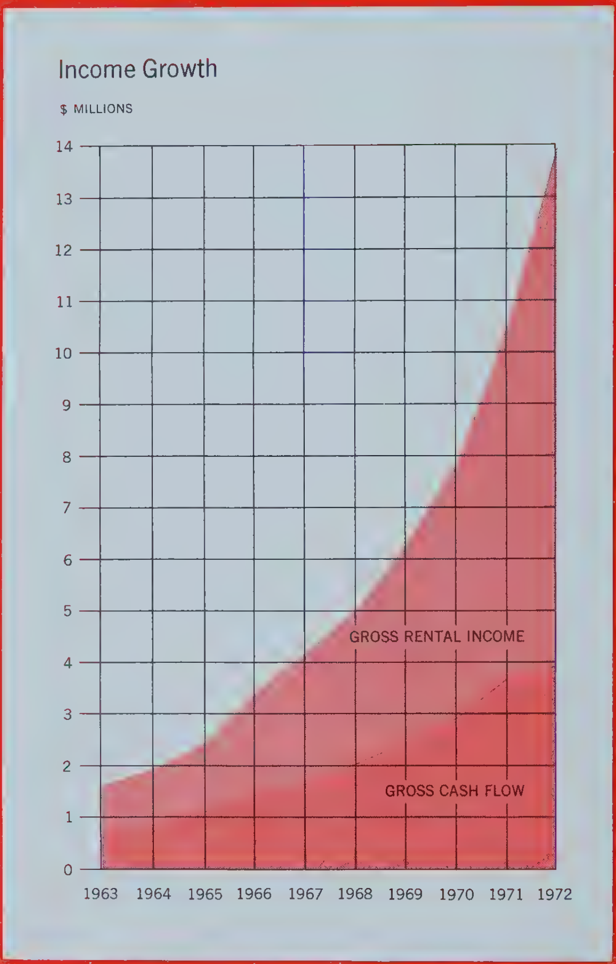
Mortgages payable are subject to interest rates varying from 5¾% to 10¾% (with an effective average rate of 7½%), mature at various dates in the fiscal years 1973 and 1998 and are repayable approximately as follows:

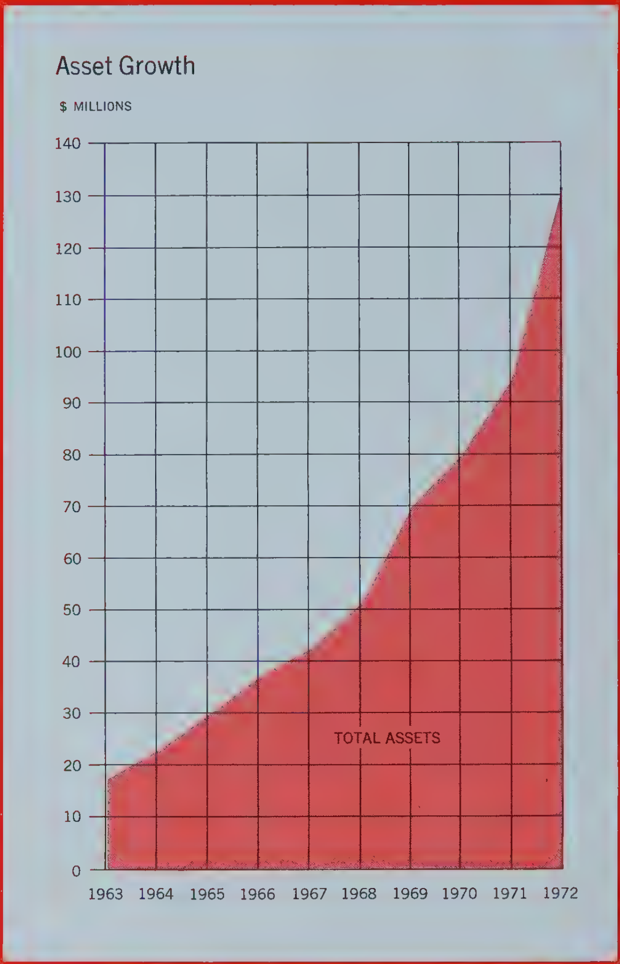
Fiscal Year		Fiscal Year	
1973	$ 1,487,972	1976	$ 1,610,014
1974	$ 1,572,366	1977	$ 1,474,875
1975	$ 2,206,895	Subsequent to 1977	$33,028,446
			$41,380,568

	1972	1971
Sinking Fund Debentures		
8%, Series A, due November 1, 1991 (after deducting $400,000 ($400,000 in 1971) principal amount purchased and held for sinking fund purposes)—repayable in annual instalments of $227,500 commencing May 1, 1973	6,600,000	6,600,000
8¾%, Series B, due January 3, 1994,—repayable in annual instalments of $343,000 commencing January 3, 1976	10,000,000	—
Notes Payable		
7½%, (subject to review annually under certain conditions) repayable $2,000,000 August 31, 1974 and $2,000,000 September 26, 1974	4,000,000	4,000,000
6½-7½%, repayable $117,000 April 1, 1985, and $118,000 December 1, 1987	235,000	235,000
Unsecured Advances from Parent Company		
7⅜%, U.S. $1,800,000	—	1,944,000
7⅜%, (subject to review on July 10, 1973) repayable July 10, 1975	9,842,520	—
9½%, (subject to review on January 15, 1974) repayable $600,000 January 15, 1975 and $2,400,000 January 15, 1976	3,000,000	3,000,000
	$93,635,434	$63,503,105

Long-term debt payable in United States funds has been expressed in Canadian dollars at the rate of exchange prevailing when the funds were received. Conversion at the rate of exchange prevailing at September 30, 1972 would reduce the long-term debt by $980,000.

Fairmont Medical Building—Vancouver
Acquired by The M.E.P.C. Group in 1970.





SUMMARY OF EARNINGS FOR THE FIVE YEARS ENDED SEPTEMBER 30, 1972
(Expressed in thousands of dollars)

	Year Ended September 30				
	1968	1969	1970	1971	1972
Earnings from operations	3,775	4,329	5,429	7,120	8,849
Interest—net	1,726	2,015	2,689	3,631	4,915
Depreciation of buildings	299	351	412	538	665
Current income taxes	145				220
Deferred income taxes	735	998	1,225	1,183	1,243
Net income	870	965	1,203	1,768	1,806

"Power" Building—Portage Avenue, Winnipeg
Acquired by The M.E.P.C. Group in 1972.

Industrial Building—Toronto
Acquired by The M.E.P.C. Group in 1972.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED MARCH 31, 1972 (Unaudited)

(with comparative figures for the six months ended March 31, 1971)

	1972	1971
	(In thousands of dollars)	
OPERATIONS		
Net Income for the period	$ 867	$ 702
Depreciation	322	271
Amortization of Financing and other expenses	95	86
Deferred Income Taxes	648	597
	1,932	1,656
Annual payments on long-term debt	815	608
Funds available from operations	1,117	1,048
Dividends paid	444	285
Funds available from operations for re-investment	673	763
NEW FINANCINGS		
Additional long-term debt - net	13,928	18,834
Issues of Capital Stock	125	2,010
Increase/(Decrease) in Bank indebtedness and net current obligations	1,581	(9,032)
Decrease in advances to affiliated companies	525	110
	16,832	12,685
REPRESENTED BY		
Investment in real estate	13,726	15,930
Increase/(Decrease) in bank deposit receipts, first mortgages receivable and other short-term investments	2,721	(3,275)
Redemption of preference shares	44	60
Increase (Decrease) in other assets, net	341	(30)
	$16,832	$12,685

M.E.P.C. CANADIAN PROPERTIES LIMITED

BRANCH OFFICES		MANAGER
Halifax	6009 Quinpool Road, Halifax, Nova Scotia 429-6176	P. H. Mackenzie
Québec	800 Place d'Youville Québec City, Québec 525-6133	R. W. Heslop, F.R.I.
Ottawa	151 Sparks Street, Ottawa, Ontario 237-6373	A. R. Garinther, C.P.M.
Toronto	147 Davenport Road Toronto, Ontario 964-8434	P. J. Smulders, F.R.I.
Winnipeg	310 Broadway Avenue Winnipeg, Manitoba 947-0524	O. W. Steele
Calgary	627-6th Avenue S.W. Calgary, Alberta 266-1695	T. F. Prete
Vancouver	1200 West Pender Street, Vancouver, British Columbia 681-9474	R. A. Adam
Victoria	880 Douglas Street Victoria, British Columbia 383-4168	J. W. E. Hayes, F.R.I.

THE M.E.P.C. GROUP OF COMPANIES

The Group's prime policy is the acquisition or development of income-producing real estate, predominately in the industrial and commercial fields, for long-term retention and appreciation.

The Company's activities include:

1) Acquisition of existing real estate investments.
2) Acquisition and lease-back.
3) Development and lease-back.
4) Site acquisition and its subsequent development.

THE M.E.P.C. GROUP

M.E.P.C. CANADIAN PROPERTIES LIMITED

INTERIM REPORT TO THE SHAREHOLDERS FOR THE SIX MONTHS ENDED MARCH 31, 1972

Board of Directors

W. G. Tucker, Q.C.
Fraser & Beatty,
Toronto, Ontario

Peter A. Anker, F.R.I.C.S., F.R.I.
M.E.P.C. Canadian Properties Limited,
Toronto, Ontario

Gordon C. Gray, F.C.A.
A. E. LePage Limited,
Toronto, Ontario

Sir Henry Johnson, K.B.E., C.B.E.
Metropolitan Estate and Property Corporation Limited,
London, England

W. C. Mearns
Rockcliffe Estates Limited,
Victoria, British Columbia

The Hon. Angus Ogilvy
Metropolitan Estate and Property Corporation Limited,
London, England

A. Ross Poyntz, F.C.I.A.
The Imperial Life Assurance Company of Canada,
Toronto, Ontario

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London, England

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Montreal, Quebec

D. A. Thompson, Q.C.
Thompson, Dewar, Sweatman,
Winnipeg, Manitoba

Executive Officers

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Chairman of the Board

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President and General Manager

G. E. A. Pacaud, LL.B.
Vice-President and Secretary

R. A. Greiner, F.R.I.
Vice-President, Real Estate

R. H. D. King, C.A., A.C.A.
Vice-President and Treasurer

M. H. Morgan, A.R.I.C.S., F.R.I.
Vice-President, Administration and Eastern Region

P. W. Skynner, F.R.I.
Vice-President, Western Region

A. K. Stephens, F.R.I.
Vice-President, Ontario

Head Office

27 Wellesley Street East,
Toronto 280, Ontario
964-2811

Common Shares Listed

The Toronto Stock Exchange
The Montreal Stock Exchange

Preference Shares and 1969 Debenture Warrants Listed

The Toronto Stock Exchange

TO THE SHAREHOLDERS

M.E.P.C. CANADIAN PROPERTIES LIMITED

The results of the first six months of the current financial year ended 31st March, 1972, show further overall growth by the company and in the opinion of your Directors, are quite satisfactory. The results reflect the following events that have taken place during the past several months:

(i) An increase in rental income due to a very active investment programme during the first part of the current fiscal year, accompanied by some beneficial increases in rent as various leases negotiated some years ago became due for renewal.

(ii) The issue in January 1972 of $10 m. Sinking Fund Debentures Series B at an interest rate of 8.75%. These additional funds have put the company in a very strong cash position, but it will take a little time for these funds to become fully invested.

(iii) The Rights Issue last June has increased the company's number of outstanding common shares by some 25% and this factor must be taken into account when comparing the earnings per share for the current six months with the same period last year.

Some interesting negotiations during the past six months included:

(i) The acquisition of all the issued share capital of Metropolitan Developments Ltd. — a private real estate investment company owning a portfolio of first class commercial and warehouse accommodation in Halifax and Saint John.

(ii) The acquisition of the Curry Building in downtown Winnipeg. This unique property comprises at the present time several shops and boutiques with offices above "on its own island site" located within 100 yards of the major intersection of Portage and Main. It is anticipated that this property will be redeveloped into a modern commercial complex — in the meantime it is a satisfactory investment.

(iii) The addition to our already substantial holdings on 8th Avenue, Calgary — the city's downtown pedestrian mall — by the acquisition of the Empire Building and the Foothills Building. The Empire Building is currently undergoing major reconstructon into a banking hall with six floors of modern office accommodation, and on completion in the summer will become the main downtown branch of the Canada Trust Company.

Negotiations are in hand at the present time to acquire additional substantial investments and the Group is also currently constructing over 300,000 sq. ft. of commercial/industrial accommodation in various parts of the country. The long-awaited signs of growth in the country's economy seem to be appearing at last and as an indication of this fact discussions are already well advanced with some of our tenants to provide them with enlarged accommodation.

It is anticipated the results for the current year will continue the satisfactory trend of recent years.

P. A. ANKER
President

May 12, 1972

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED MARCH 31, 1972 (UNAUDITED)

(with comparative figures for the six months ended March 31, 1971)

	1972	1971
	(In thousands of dollars)	
Rental Income	$6,199	$5,191
Less Direct Property Expenses	2,097	1,674
Net Rental Income	4,102	3,517
Less Interest expense - net (note 1)	2,048	1,774
Administration and general expenses	249	173
	2,297	1,947
Net Operating Income	1,805	1,570
Less Depreciation	322	271
Net Income before taxes	1,483	1,299
Less Deferred income taxes	648	597
Net Income after Tax	835	702
Add Profit on sale of building	32	—
Net Income for the period	$ 867	$ 702
Earnings Per Common Share (after making provision for preferred dividends) — (note 2) ..	14.9¢	14.8¢

NOTES

1) Interest includes the following:

	1972	1971
Interest on long-term debt	$2,538	$2,187
Interest on Bank loans and other indebtedness	33	220
	2,571	2,407
Less Interest applicable to properties under development	331	438
	2,240	1,969
Less Income from short-term investments....	192	195
	$2,048	$1,774

2) Average number of Common Shares outstanding for the period 5,363,000 4,272,000